

Exhibit 1

Confidential:

Risk Review

Aurora and BNC

February 2007

LEHMAN BROTHERS

Other

- ◆ **Appraisal reductions and rejections** have steadily and dramatically increased since September 2006. The reduction/rejection rate in September was 8.18% which was consistent with prior monthly findings. As of January 2007 the reduction/rejection rate had increased 128% to 18.66%. Loans of \$950,000 or higher and loans where the sales price or value is \$1,495,000 or higher continue to have the highest reduction/rejection rates at 29.80% and 34.15% respectively. Every high risk appraisal criteria bucket has increased dramatically over the same September to January time frame.
 - ◆ The need for **field reviews** of appraisals has also risen significantly over the same period. In September 3% (63) of the desk review volume resulted in field reviews. In January of 2007 13.57% (442) of the desk reviews resulted in required field reviews.
 - ◆ A project is currently in progress to redefine the **appraisal review criteria**.
 - ◆ The **Aurora National Client Relations** received 689 broker applications and 42 correspondent applications. There were 523 broker clients and 14 correspondent client approvals. 78 brokers were denied. 231 brokers and 31 correspondents were terminated without cause predominantly due to no business for the brokers and failure to recertify for the correspondents. 24 brokers and 9 correspondents were terminated with cause due to misrepresentation or declining net worth.
 - ◆ **Special Investigations** completed the review of 240 LXS loans which resulted in 50% of the loans contained material misrepresentation.
 - ◆ **Fraud Awareness Training** has been scheduled for Aurora Loan Administration and Operations employees beginning March and continuing through July.
 - ◆ The Aurora Credit Policy is reviewing all of the **Flow Seller's** negotiated variances to determine if the variance is being utilized, and if it should be continued.
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